

## Acting now

### Climate Change: Mobilising Political Will

Tuesday afternoon, 3 June 2008

*Moderator:* Doris Leuthard, Minister of Economic Affairs, Switzerland

**H.S.H. Prince Albert II of Monaco**

**Angel Gurría**, Secretary-General, OECD

**Yvo de Boer**, Executive Secretary, UNFCCC

**Phil Goff**, Minister of Trade, New Zealand

The moderator **Doris Leuthard** opened by noting that there is convincing evidence that human activity is changing the climate and that global emissions will have to be cut, but projections suggest a rise of 50% by 2050. As a result, “we need to act and we need to act now”. According to the moderator, action is needed on both the national and international levels. Firstly, the recent UN convention on climate change agreed on a negotiation process to reach a new climate change agreement by 2012, when Kyoto comes to an end. But Ms Leuthard noted that we also need measures to harness the power of trade in favour of environmental goals. In addition, at the national level, countries need to define goals and establish close coordination among ministries.

**H.S.H. Prince Albert II of Monaco** began by noting that the first day of this year’s OECD Forum had already looked at a number of complementary themes related to climate change, and concluded by looking at the political dimension. According to Prince Albert, decision makers must be determined to reach agreement, which is challenging due to vested interests. Public opinion may not have fully taken on board the urgency, but it has clear that the later we act the more difficult the problem will be. Encouragingly, public opinion has evolved in the right direction, due to increasing publicity for the issue. There is a need to address climate change while maintaining growth and prosperity, and proposals on this are under discussion by the UN and a range of other international bodies.

It will be necessary to stimulate the development of new technologies and products that will change the nature of economic growth. The problem faces all countries, both rich and poor, and the discussion must also be broadened to include businesses and the public, along with public bodies and NGOs. International bodies are already discussing the issues of deforestation and the impact of climate change on the polar regions. Prince Albert stated his aim of making Monaco a centre of excellence in the field of climate change, by supporting the activities of these bodies.

**Yvo de Boer** continued the discussion by noting that climate change is now at the top of the international political agenda. Momentum has been building on the issue; UNFCCC has produced four important scientific reports proving beyond doubt that climate change is accelerating and that failure to act will have devastating consequences; the EU has proposed a unilateral 20% reduction in emissions by 2020; 2007 culminated in the Bali Climate Change Conference that agreed to launch negotiations on a new deal to be concluded in Copenhagen by the end of 2009. All of this points to the fact that a deal will be struck at Copenhagen. “We know about the why. We know about the what. We now have to focus on the how”. There is a need to reach a deal that is equitable and makes economic sense, that steers our economies in a low emission direction, by rewarding change and innovation in dealing with the issue. Concerns that action on climate change will derail economic growth miss the point that not acting now will cost

us even more in the long term, perhaps 5% of global GDP each year, maybe as much as 20%. Businesses have said they are ready, but are waiting for political leadership.

Climate change is likely to result in serious global distortions, such as significant migration flows. But changes in economic structures have always created winners and losers, the task is to develop tools and mechanisms to equalise the burden. Mr de Boer argued for an intelligent, blended set of tools, including market based mechanisms, noting that “the political will is there, but we need to pull out all the stops, to roll up our sleeves and get down to work”.

**Phil Goff** posed the question as to why politicians took so long to respond to climate change. Part of the explanation is that politics tends to put short-term needs ahead of long-term benefits. Moreover, although the benefits of action extend across all of society, it is easier for vested interests to organise to stop change than for society as a whole to mobilise in support of it. At first, opponents challenged the science of climate change, then argued that unilateral action was no good, so did nothing in the absence of multilateral solutions. This is now changing as public awareness has increased, backed by sound science that has undermined the sceptics.

According to Mr Goff, solutions to climate change are achievable and affordable. Public pressure has grown as concern has broadened from the fringe to the mainstream. The Bali road map has obliged everyone to accept that measures are needed, but this now needs to be put into practice. In New Zealand’s case, the government has set itself the target of being the world’s first carbon neutral country. Political obstacles have been predictable, but by implementing a range of different measures the government believes that its objective can be achieved.

**Angel Gurría** continued the discussion by agreeing that climate change is the greatest challenge of our times, and that tackling it will depend on mobilising the political will to secure an international agreement to cover the period after 2012. Even the most optimistic OECD scenarios for the likely path of emissions between now and 2050 would involve a degree of global warming. The decisions made today define what will happen in 2050. According to Mr Gurría, there is a need to give parity to market-based instruments and to put a price on carbon to reduce the cost of emission reductions. But there is also a need for a range of other approaches, including carbon capture and storage and support for other innovations. Moreover, international agreement may also require a mechanism to share the costs among countries, to allow emerging economies to participate in the process at a cost they can bear. Political leaders will have to take decisions that involve risks and political costs. But multilateral solutions share and thus dilute risks, hence the OECD’s attempts to encourage a multilateral framework.

Although there have been previous failures in negotiations, Mr Gurría argued that we still need to try again. We may know the how and the what, but this needs to be communicated. The cost of dealing with climate change is not like insurance, it is not an “if”. “We know it will happen”, so the issue is how to mitigate the inevitable costs. Reaching agreement will require public consensus across society.

In response to a question from Ms Leuthard, Mr de Boer noted that, because it is difficult to sell the idea of short-term pain in return for long-term gain to politicians, market-based instruments may prove to be more effective. He also noted the need for developed economies to demonstrate determination in order to encourage emerging countries. Ms Leuthard also addressed the question of the best approach to dealing with vehicle emissions. Mr Goff replied that the most important requirement is to change people’s behaviour. Obvious approaches include providing alternatives to private cars like public transport and encouraging the use of more efficient cars. But a solution requires a wide range of policies in a number of areas.

In questions from the floor, one participant asked about approaches to increasing the energy efficiency of housing. In response, Mr de Boer noted that incentives are probably required to persuade people to seek the relatively limited benefits available to home-owners. Mr Goff added that in New Zealand building codes have been changed to require better efficiency, and a loan scheme to encourage retro-fitting of more efficient technology has been introduced.

Another participant asked whether tackling climate change would require a global political architecture as well as an economic framework. Mr de Boer commented that in his view, given the difficulty of reaching international agreements, as much as possible should be done at the national level. Mr Goff added that the sovereignty of individual nations has to be factored in. Another participant asked about the role of education in mobilising public opinion, to which Mr Gurría replied that this was one of the key means of motivating political will. He added that there is a big job to do in terms of disseminating information, and that education is an important part of that.

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